

# **Washington State Auditor's Office**

## **Audit Report**

### **Audit Services**

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Report No. 58199

#### **KING COUNTY FIRE DISTRICT NO. 46**

King County, Washington

January 1, 1994 Through December 31, 1995  
(With Special Compliance Review January 1, 1992  
Through June 30, 1996)

Issue Date: April 25, 1997

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**KING COUNTY FIRE DISTRICT NO. 46**  
**King County, Washington**  
**January 1, 1994 Through December 31, 1995**  
**(With Special Compliance Review January 1, 1992 Through June 30, 1996)**

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**Background**

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During our regular audit of King County Fire District No. 46, for the period January 1, 1994, through December 31, 1995, we encountered serious concerns which caused us to expand the scope of our audit to the period January 1, 1992, through June 30, 1996.

Our audit disclosed material internal control weaknesses affecting all financial aspects of the district's activities. The primary weakness was a lack of segregation of duties. All accounting functions, including holding the position of auditing officer, were the responsibility of one district employee, the former district secretary. This district secretary was the wife of the district fire chief and the daughter of one of the former fire commissioners. The secretary and chief were two of only three district employees, the third being a firefighter/mechanic. The district secretary was terminated February 1996 and the chief resigned April 1996.

The former chief was an authorized signatory on at least four off-book bank accounts in the name of the district. These accounts consisted of two memorial funds (the subject of Finding 1), a firefighters' guild fund (the subject of Finding 2), and a district checking account (Finding 3). We found numerous unexplained transfers into, between, and out of these accounts. No accountability was maintained to segregate the public versus private funds within these accounts, thus we consider all the funds public.

The former chief was given the opportunity to respond to the findings. His responses have been incorporated into this report.

Furthermore, the district suffers from financial difficulties and will likely not continue as a going concern. The district currently contracts for fire services through King County Fire District No. 44.

**KING COUNTY FIRE DISTRICT NO. 46**  
**King County, Washington**  
**January 1, 1994 Through December 31, 1995**  
**(With Special Compliance Review January 1, 1992 Through June 30, 1996)**

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**Independent Auditor's Report On Compliance With State  
Laws And Regulations**

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Board of Commissioners  
King County Fire District No. 46  
Auburn, Washington

We are required by *Revised Code of Washington* (RCW) 43.09.260 to audit the financial statements, as listed in the table of contents, of King County Fire District No. 46, King County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated January 17, 1997. The district had material internal control weaknesses which limited the scope of our work, such that we were unable to express an opinion on the financial statements.

We also performed tests of compliance with state laws and regulations as required by RCW 43.09.260. This statute requires the State Auditor to inquire as to whether the district complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the district's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the district and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

Material instances of noncompliance are (1) failures to follow requirements or violations of prohibitions contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements or (2) considerable failure to comply with the laws and the *Constitution of the State of Washington*, the district's ordinances and orders, and the requirements of the State Auditor's Office. The results of our tests of compliance disclosed instances of noncompliance that may materially affect the financial statements, the effects of which have not been corrected in the district's financial statements. The material instances of noncompliance noted during our audit are disclosed in the accompanying Schedule of Findings.

We considered the instances of noncompliance in forming our opinion on whether the district's financial statements are fairly presented, in all material respects, in conformity with the prescribed basis of accounting and the statutory provisions described in paragraph two of this report. This report does affect our report dated January 17, 1997, on those financial statements.

This report is intended for the information of management and the board of commissioners and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

January 17, 1997

**KING COUNTY FIRE DISTRICT NO. 46**  
**King County, Washington**  
**January 1, 1994 Through December 31, 1995**  
**(With Special Compliance Review January 1, 1992 Through June 30, 1996)**

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**Schedule Of Findings**

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1. King County Fire District No. 46 Officials Should Not Operate Off-Book Bank Accounts

During our audit of King County Fire District No. 46 (KCFD 46), we found two separate bank accounts under the name "King County Fire District No. 46 Memorial Fund" held at two local banks. Statements for one account were mailed directly to the former fire chief's personal residence. The statements for the other account were received at the district by the former district secretary, who was also the chief's wife. The fire chief was a signatory on the accounts. None of the account transactions were authorized or approved by the board.

Given the situations described below in a. and b. and the lack of accountability to maintain segregation between public and private funds, we consider these accounts public. By using the name of the district on the accounts, district revenues intended for use in the operation of the district, could easily be deposited into these accounts for use by the signatories.

Our review of these bank accounts for the period January 1, 1992, through June 30, 1996, revealed the following issues of noncompliance and significant control weaknesses:

- a. Between January 1, 1992, and June 30, 1996, \$879.98 and \$3,204 was deposited into the respective accounts. One of the larger deposits was a \$3,096.17 warrant from the State of Washington Department of Natural Resources for reimbursement to the district for wildland firefighting efforts. This check, endorsed by the former chief, was made out to "KCFD 46" and should have been deposited with the King County Treasurer per Washington State law.

Article XI, Section 15 of the *Constitution of the State of Washington* states:

All moneys, assessments and taxes belonging to or collected for the use of any county, city, town or other public or municipal corporation coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depositary to the credit of such city, town, or other municipal corporation respectively, for the benefit of the funds to which they belong.

RCW 52.16.010 states:

It is the duty of the county treasurer of the county in which all, or the largest portion of, any fire protection district created under this title is located to receive and disburse district revenues . . .

RCW 43.09.240 further states:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the taxing district once every twenty-four consecutive hours. (Emphasis ours.)

- b. The district did not issue receipts for donations accepted, nor maintain adequate supporting documentation for donor cash received during the audit period. Without prenumbered official receipts, we cannot determine whether all donations received were properly deposited or whether donations earmarked for a specific purpose met donor intent.

Failure to properly receipt donations violates RCW 52.16.150, which states:

A fire protection district may accept and receive in behalf of the district any money or property donated, devised or bequeathed to the district, and may carry out the terms of the donation, devise, or bequest, if within the powers granted by law to fire protection districts. In the absence of such terms, a fire protection district may expend or use the money or property for district purposes as determined by the board.

- c. Between October 4, 1993, and December 15, 1995, three cash telephone transfer/debit memos transferred \$975 from one of the Memorial Fund accounts to the Firefighters' Guild private bank account. These transfers had no supporting documentation. Consequently, we are unable to determine their legitimacy. In effect, public funds of the district, which are subject to numerous restrictions and oversights, were transferred to a private association not bound by such restrictions.

Article VIII, Section 7 of the *Constitution of the State of Washington* states in part:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm.

- d. During the four-year period spanning 1992 through 1995, \$9,486.48 and \$893 were withdrawn from the respective accounts in the form of cash with no supporting documentation. We are unable to ascertain for what purpose these funds were withdrawn. In 1995, a cashier's check for \$3,642.36 was processed from one of the accounts for the purchase of district related equipment. By processing these expenditures through these accounts as opposed to the district's regular voucher system, these purchases were not authorized or approved by the board of commissioners.

RCW 42.24.080 states in part:

All claims presented against any . . . district . . . by persons furnishing materials, rendering services, or performing labor, or for any other contractual purpose, shall be audited, before payment, by an auditing officer elected or appointed pursuant to

statute or, in the absence of a statute, an appropriate charter provision, ordinance or resolution of the municipal corporation  
. . . .

Additionally, RCW 43.09.200 states in part:

The state auditor . . . shall formulate, prescribe, and install a system of accounting and reporting . . . The system shall exhibit true accounts and detailed statements of funds collected, received, and expended . . . The accounts shall show . . . all disbursements . . . and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

- e. Reconciliations of bank statements for these bank accounts were not performed. The majority of bank statements could not be located by current district personnel. Reconciliations are necessary to ensure all district transactions are properly recorded. Sound business practices also include segregation of duties between the individual maintaining the check register and the person performing reconciliations. (Proper procedure in this case would have been to deposit all district funds with the King County Treasurer, processing disbursements through the county.)

The existence of the above control weaknesses and questionable deposits, withdrawals, and expenditures indicate the potential for errors, irregularities, and fraud to occur and not be detected in a timely manner, if at all. They also indicate the illegal practice of bestowing gifts of public funds and extending of credit. By not complying with the state constitution, district officials have used public funds for private purposes.

These weaknesses were due to the commingling of public and private funds, poor accounting, and a lack of segregation of duties. All district accounting functions were the responsibility of one district employee, the former district secretary.

We recommend district officials eliminate these off-book checking accounts and process all deposits and withdrawals through the King County Treasurer. We further recommend district officials discontinue the above noted practices and establish an adequate system of controls over cash receipting.

#### Auditee's Response

*The Board has reviewed the findings and recommendations and concurs in all aspects. The District officials are presently taking steps to eliminate all offbook checking accounts and process all deposits and withdrawals through the King County Treasurer. Further, the District has previously undertaken steps to establish an adequate control system over cash receipting.*

#### 2. King County Fire District No. 46 Should Not Divert Funds To The Firefighters' Guild Without Valuable Consideration

For the period January 1, 1992, through June 30, 1996, we noted numerous unsupported transactions occurring between one of the district's off-book memorial bank accounts and the firefighters' Guild account. The guild is a private association which collects donations in the name of the guild for the benefit of the district. The guild account was managed by the former chief of the district and his son-in-law. Specifically, we found the following:



- a. Checks made out to "KCFD 46" were routinely deposited into the Firefighters' Guild account. Between February 3, 1993, and July 3, 1995, at least ten deposits totaling \$781.45, consisting of checks made out to "KCFD 46," were deposited into the Firefighters' Guild account. These checks should have been remitted into the district's General Fund with the King County Treasurer. There is no documentation to indicate why these funds were deposited into the guild's account.

None of these checks were deposited in a timely manner. The time lag between receipt of these checks and deposit was, at a minimum, over 30 days. In one instance, a check dated February 3, 1993, for \$100 was deposited into the Firefighters' Guild account in December 1993. The average time lag was approximately four months.

- b. As described in Finding 1, between October 4, 1993, and December 15, 1995, three telephone transfers/debit memos transferred \$975 from one of the memorial fund accounts into the Firefighters' Guild account. As there is no documentation to explain these transfers, we are unable to determine their legitimacy.

In effect, public funds of the district, which are subject to numerous restrictions and oversights, were transferred to a private association which is not bound by such restrictions. District public funds were possibly used for private purposes.

Article VIII, Section 7, of the *Constitution of the State of Washington* states in part:

No . . . municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation . . . .

RCW 43.09.240 states:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the taxing district once every twenty-four consecutive hours. (Emphasis ours.)

Additionally, RCW 52.16.150 states:

A fire protection district may accept and receive in behalf of the district any money or property donated, devised or bequeathed to the district, and may carry out the terms of the donation, devise, or bequest, if within the powers granted by law to fire protection districts. In the absence of such terms, a fire protection district may expend or use the money or property for district purposes as determined by the board.

These weaknesses were due to the commingling of private and public funds and poor accounting.

We recommend district officials cease diverting public funds into the Firefighters' Guild bank account unless consideration and public purpose can be documented. We further recommend district officials deposit all moneys with the King County Treasurer immediately upon receipt.

*Auditee's Response*

*The Board of Commissioners has reviewed Finding No. 2 and agrees with the findings and recommendations of the Auditor. District officials will not approve the transfer of funds into the Firefighters Guild bank account unless consideration is provided and a public purpose can be documented. All monies received by the District will be deposited with the King County Treasurer's office immediately upon receipt.*

3. King County Fire District No. 46 Officials Should Eliminate Off-Book Bank Checking Account

During our audit, we found another checking account with a local bank in the name of "King County Fire District No. 46." Bank statements were received by the former district secretary, who is married to the former fire chief. The district board neither approved nor authorized any of the transactions processed through this account.

Our review of the activity through this bank account for the period January 1, 1992, through June 30, 1996, found the following:

- a. An October 5, 1992, warrant for \$113.19 from the district's General Fund was issued to the "King County Fire District 46 Firefighters' Guild" but deposited into the checking account. No documentation exists to support or explain this transaction.
- b. Two cash deposits were made to this account for \$354.08 and \$20.00 on November 24, 1992, and December 2, 1993, respectively. As these deposits were made with cash and there are no supporting documents, we cannot ascertain the source of these funds.
- c. Two cash withdrawals for \$450 and \$120.55 on December 4, 1992, and August 23, 1993, respectively, were made in the form of an authorized telephone debit and a debit memo. As there is no documentation to support these debits, we are unable to determine the legitimacy of these transactions.

RCW 43.09.240 states:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the taxing district once every twenty-four consecutive hours. (Emphasis ours.)

Additionally RCW 43.09.200 states in part:

The state auditor . . . shall formulate, prescribe, and install a system of accounting and reporting . . . The system shall exhibit true accounts and detailed statements of funds collected, received, and expended . . . These accounts shall show . . . all receipts and disbursements . . . and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

The existence of the above questionable deposits and withdrawals indicate the potential for errors, irregularities, and fraud to occur and not be detected in a timely manner, if at all.

These weaknesses were due to the commingling of private and public funds, poor accounting and a lack of segregation of duties. All district accounting functions were the responsibility of one district employee, the former district secretary.

We recommend district officials eliminate this unauthorized checking account and process all deposits and withdrawals through the King County Treasurer.

Auditee's Response

*The Board has reviewed the findings and recommendations and concurs in all aspects. The District officials are presently taking steps to eliminate all offbook checking accounts and process all deposits and withdrawals through the King County Treasurer. Further, the District has previously undertaken steps to establish an adequate control system over cash receipting.*

4. District Officials Should Strengthen Internal Controls Over Cash Receipting Procedures

Our documentation, evaluation, and tests of the receipting control structure disclosed the following material weaknesses:

- a. The district did not issue receipts, or maintain adequate supporting documentation for cash and checks received. Without using prenumbered official district receipts, it is impossible to establish whether all district collections were properly deposited with the county treasurer.

Additionally, failure to have an adequate cash receipting system violates RCW 43.09.200, which states in part:

The state auditor . . . shall formulate, prescribe, and install a system of accounting and reporting . . . The system shall exhibit true accounts and detailed statements of funds collected, received, and expended . . . The accounts shall show . . . all receipts . . . and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction.

- b. Because the district did not document the receipting activities, we could not ascertain timeliness of deposits for the majority of remittances made to the county. However, from bank records we noted the following instances from January 1, 1994, through March 31, 1996, where moneys were not remitted to the county treasurer in a timely manner:

(1) Checks dated March 7, 1994, and March 31, 1994, totaling \$321.40 were not deposited until June 1, 1994.

(2) A check dated May 19, 1994, for \$5,830.94 was not deposited until June 16, 1994.

(3) Nine checks dated from November 30, 1995, to January 10, 1996, totaling \$49,644.91 were not deposited until January 17, 1996.

RCW 43.09.240 states in part:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit

such moneys collected or received by him or her with the treasurer of the taxing district once every twenty-hour consecutive hours.

District officials were apparently unaware of proper internal control procedures or the legal requirements for cash handling and depositing. Failure to follow these guidelines exposes the district to the risk of loss. Taken together, the conditions described above indicate significant and pervasive cash control problems. We were unable to satisfy ourselves that all the district's receipts were completely recorded and deposited.

We recommend district officials establish policies and procedures on cash handling procedures. We further recommend district officials deposit all moneys with the county treasurer on a timely basis in accordance with state law.

Auditee's Response

*The Board of Commissioners has reviewed Finding No. 4 and agrees with the findings and recommendations of the Auditor. District officials have already adopted some policies to address these issues and are in the process of establishing other policies and procedures in order to properly receipt all cash transactions. The District will ensure that all monies are deposited with the county treasurer on a timely basis in accordance with state law.*

5. District Officials Should Strengthen Internal Controls Over Disbursements And Discontinue Purchasing Items Which Are Not Appropriate District Expenditures

Our review of district expenditures from January 1994 through June 1996, disclosed the following:

- a. Eight of twenty vouchers tested for 1994 and 1995 lacked evidence of the auditing officer signature certifying the vouchers were true and valid expenditures of the district.

RCW 42.24.080, states in part:

All claims presented against any . . . district . . . by persons furnishing materials, rendering services or performing labor, or for any other contractual purpose, shall be audited, before payment, by an auditing officer . . . appointed pursuant to . . . resolution of the municipal corporation . . . The form shall provide for the authentication and certification by such auditing officer that . . . the claim is a just, due and unpaid obligation against the district.

Failure to apply prescribed statutory controls places the district at risk of paying unapproved amounts to unapproved vendors for unauthorized goods and services.

- b. The district made, and the board approved, inappropriate expenditures as follows:
  - (1) Eight payments totaling \$294.66 were made to various floral companies for purchases of flowers for the district secretary and injured firefighters.
  - (2) A payment for \$166 was made to the King County Fire Chief's Association in 1994 for the commissioners' spouses to attend an association banquet.

(3) A payment for \$719.34 was made to Ron and Leo's Welding in 1993 for a tool box for the former fire chief's personal truck. The former chief did not return the tool box to the district when a new district vehicle was purchased for his use. He claims the tool box was fully depreciated.

Such inappropriate expenditures constitute a gift of public funds.

Article VIII, Section 7 of the *Constitution of the State of Washington* states in part:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company, or corporation, except for the necessary support of the poor and infirm.

By not complying with the state constitution, the district has used public funds for private purposes. This noncompliance occurred because the commissioners were not aware these expenditures would be considered gifts of public funds.

These conditions existed because of a lack of segregation of duties and board oversight. All accounting functions, including holding the position of auditing officer, were the responsibility of one district employee, the former district secretary.

We recommend the district discontinue the practice of gifting of public funds and establish appropriate policies and procedures for allowable expenditures. We further recommend district officials review all vouchers for allowable expenditures. We further recommend district officials ensure all vouchers are audited before payment by an auditing officer as evidenced by signature.

*Auditee's Response*

*The Board of Commissioners has reviewed Finding No. 5 and concurs with the recommendations of the Auditor. The Commissioners will further seek return of any and all property inappropriately retained by the former Fire Chief, Steve Fant. This Board has discontinued the practice of gifting public funds and is in the process of establishing appropriate policies and procedures for allowable expenses. District officials will continue to review all vouchers for allowable expenditures, and will ensure that all vouchers are audited before payment by auditing officer.*

6. Internal Controls Over The Payroll System Need To Be Improved

During our review of the payroll internal control system for the period under audit, we noted the following irregularities and material control weaknesses:

- a. Adequate segregation of duties did not exist. Maintenance of payroll time cards, inputting of payroll information, and preparation of the payroll vouchers were all performed by the former district secretary, who was also the wife of the former fire chief.
- b. Signatures were not evidenced on time cards indicating time worked by the three district employees nor was there evidence of review by the fire chief or board of commissioners.

- c. Adequate support for payroll payments was not attached to the vouchers when submitted for approval to the board of commissioners, preventing proper review by the board.
- d. No supporting leave slips or authorization for compensatory time accrued or used was found for the three district employees. Further, there was no indication such time was approved by the fire chief or the board of commissioners.
- e. Our review disclosed discrepancies between the chief's compensatory time, vacation and sick leave accrual records as compared to the actual time sheets from 1993 through 1995. The amount of the former chief's compensatory time and vacation hours is the subject of pending litigation between the district and the former chief.

RCW 43.09.200 states in part:

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees or other persons.

The accounts shall show the receipt, use and disposition of all public property . . . all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction  
. . . .

Failure to monitor the time summaries and annual leave records results in a significantly greater risk that errors and/or irregularities could occur and not be detected in a timely manner. Consequently, we consider this condition to be a material weakness in the payroll internal control system.

The above condition appears to be the result of the former district secretary not providing the commissioners with sufficient information to support payroll expenditures. Further, review and oversight by the former fire chief and the district's commissioners was lacking. The commissioners were not aware of the importance of this review.

We recommend district officials establish policies and procedures to properly segregate duties for payroll. We further recommend district officials review all time and attendance records and leave for approval.

#### Auditee's Response

*The Board of Commissioners has reviewed Finding No. 6 and concurs with the recommendations made by the Auditor. District officials have taken affirmative steps to establish policies and procedures to properly segregate duties for payroll. District officials will also review all time and attendance records in leave for approval.*

#### 7. The District Should Seek Repayment From Former Chief For Unauthorized Deferred Compensation Contributions

During our review of payroll activities we noted the employment agreement between the district and the former fire chief stated the district would match up to \$30 of the chief's contribution to the state's deferred compensation plan each month. The chief opted to contribute \$100 each month to the plan of which \$70 was to be deducted from his monthly salary and \$30 was to be matched by the district.

In 1995, the former secretary (wife of the former chief), who prepared the payroll, discontinued deducting the \$70 from the chief's monthly salary but continued remitting \$100 to the state deferred compensation plan. As a result, the district paid the full amount on behalf of the fire chief in violation of the employment contract. The total deferred compensation paid by the district on behalf of the chief during 1995 was \$1,200.

Article II, Section 25 of the *Constitution of the State of Washington* states in part:

The legislature shall never grant any extra compensation to any public officer, agent, employee, servant, or contractor, after their services shall have been rendered . . . .

Article VIII, Section 7 of the *Constitution of the State of Washington* states in part:

No county, city, town, or other municipal corporation shall hereafter give any money, or property, or loan any money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm . . . .

The material control weaknesses discussed in Finding 6 allowed this situation to occur without detection.

We recommend district officials seek reimbursement of \$1,200 from the former chief, for unauthorized deferred compensation payments made by the district on his behalf.

*Auditee's Response*

*The District has reviewed Finding No. 7 and concurs with the recommendations made by the Auditor. District officials will seek reimbursement of \$1,200.00 in overpayment of wages paid to former Chief, Steve Fant, which the Auditor concludes are unauthorized deferred compensation payments made on his behalf.*

8. District Officials Should Properly Document Monthly Reimbursements For Use Of Personal Vehicles For Official Business

Resolution 82, approved on August 6, 1990, established a reimbursement amount to the fire chief for the use of his personal truck for district purposes at a flat rate of \$270 per month. This was based on an estimated 900 miles per month at 30¢ a mile. In January 1992, the district began paying the chief \$559.78 per month, of which \$373.11 was allotted to the monthly reimbursement amount and \$186.67 was allotted to one half of the fire chief's monthly truck payment. The only support for this payment is a line item in the 1992 proposed district budget (adopted December 12, 1991) labeled "STEVE'S TRUCK EXPENSE \$560.00 x 12 = \$ 6,720.00."

The district did not pass a specific resolution supporting the increased payment, did not document the basis for the payment, did not document that the rate would be less costly to the district, and made no further specific reference to the payment in subsequent budgets.

RCW 42.24.090 relating to officer and employee reimbursement claims states in part:

. . . the legislative body of any municipal corporation . . . may prescribe by ordinance or resolution the amounts to be paid officers or employees thereof as reimbursement for the use of their personal automobiles or other

transportation equipment in connection with officially assigned duties . . .  
. The rates for such reimbursements may be computed on mileage, hourly, per diem, monthly or other basis as the respective legislative bodies shall determine to be proper in each instance: PROVIDED, That in lieu of such reimbursements, payments for the use of personal automobiles for official travel may be established if the legislative body determines that these payments would be less costly to the municipal corporation . . . than providing automobiles for official travel.

Further, the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor under RCW 43.09.200, requires in Volume 1, Part 3, Chapter 3, page 19:

If a municipality chooses the option of using monthly reimbursement for the use of personal automobiles for official business, the following procedures apply . . .

2. The rate must be based on actual costs.
3. A periodic review must be performed to determine whether or not the rate continues to reflect actual costs.
4. A record is needed of the governing body's determination.

No rationale was provided by district officials as to why the reimbursement rate increased from \$270 to \$560 or why the district commenced paying half of the truck payment. These amounts were included in the chief's monthly paycheck.

We recommend district officials follow and document the procedures outlined in state law and the BARS manual when establishing a reimbursement rate for the use of personal automobiles for official business

#### Auditee's Response

*The Board of Commissioners has reviewed Finding No. 8 and concurs with the recommendations of the Auditor. The Board has previously undertaken affirmative steps to eliminate the practices complained of, and will follow and document the procedures outlined in state law and the bars manual when establishing a reimbursement rate for the use of personal automobiles for official business.*

#### 9. District Officials Should Strengthen Controls Over Phone Usage

During the period January 1994 through April 1996, we noted \$826.25 in personal phone calls made by resident volunteer firefighters. The resident firefighters were not required to reimburse the district. The phone calls included in and out of state long distance charges, a call to Mexico, a call to a 1-900 number, acceptance of collect calls at the fire station and numerous call returns at \$.75 a call.

Article VIII, Section 7, of the *Constitution of the State of Washington* states in part:

No county, city, town, or other municipal corporation shall hereafter give any money, or property, or loan it money, or credit to or in aid of any individual, association, company, or corporation . . . .



The district is in violation of the constitutional prohibition against the lending of credit by allowing employees to make personal phone calls in non-emergency situations. District officials did not have policies and procedures in place to recover costs from the resident firefighters for these calls. Finally without signed agreements between the district and the firefighters, the district is not protected against an employee leaving the district without paying for his or her personal calls. District officials placed restrictions on outgoing long distance calls after April 1996 to eliminate lending of credit.

We recommend district officials continue to enforce their new policies in place regarding personal phone calls.

Auditee's Response

*The Board of Commissioners has reviewed the findings and concurs with the recommendations of the Auditor. The District officials will continue to enforce new policies in place regarding personal telephone calls.*

10. District Officials Should Comply With Bid Laws

During our audit, we noted district officials expended approximately \$5,200 for a roof replacement. District officials did not specify in the minutes of the board of commissioners' meetings whether this cost was for emergency repair, nor was there evidence of any solicitation of competitive bids. Current district officials could not determine whether the purchase was, in fact, an emergency repair.

RCW 52.14.110, Purchases and public works - Competitive bids required - Exceptions, states in part:

A formal sealed bid procedure shall be used as standard procedure for purchases and contracts for purchases executed by the board of commissioners. Formal sealed bidding shall not be required for . . .

(3) Contracting for work to be done involving the construction or improvement of a fire station or other buildings where the estimated cost will not exceed the sum of two thousand five hundred dollars, which includes the cost of labor, material and equipment. However, whenever the estimated cost is from two thousand five hundred dollars up to ten thousand dollars, the commissioners may by resolution use the small works roster process provided in RCW 39.04.155.

RCW 52.14.120, Purchases and public works - Competitive bidding procedures, further states in part:

(1) Notice of the call for bids shall be given by publishing the notice in the newspaper of general circulation within the district at least thirteen days before the last date upon which bids will be received.

By not following required bidding procedures the district cannot ensure it received the best possible price and all vendors were provided equal access and opportunity to bid. The district does not have a small works roster.

We recommend district officials establish policies and procedures for soliciting formal sealed bids in compliance with state statute.

Auditee's Response

*The Board of Commissioners has reviewed Finding No. 10 and concurs with the recommendations of the State Auditor. District officials will work to fully document each and every public expenditure and establish policies and procedures for soliciting formal sealed bids in compliance with state statute.*

*The Board also requests the Auditor take note of the affirmative steps taken by this Board to request a review of the district's operations and the affirmative steps taken to remedy any deficiencies. The Board further reiterates its commitment to assuring full compliance with state law in all aspects of its operations.*

Auditor's Concluding Remarks

We appreciate the district officials' positive response to all the issues delineated above and would like to acknowledge their cooperation during this audit. We will review the district's progress in our next regularly scheduled audit.

**KING COUNTY FIRE DISTRICT NO. 46**  
**King County, Washington**  
**January 1, 1994 Through December 31, 1995**  
**(With Special Compliance Review January 1, 1992 Through June 30, 1996)**

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**Independent Auditor's Report On Financial Statements**

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Board of Commissioners  
King County Fire District No. 46  
Auburn, Washington

We are required by RCW 43.09.260 to audit the accompanying statements of Fund Resources and Uses Arising from Cash Transactions of the various funds of King County Fire District No. 46, King County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994. These financial statements are the responsibility of the district's management.

As described in the findings of our report, the district had material internal control weaknesses. As a result, we were unable to satisfy ourselves that all the district's receipts were completely and accurately recorded and deposited.

Because of the matter described in the preceding paragraph, the scope of our audit work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to above.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

January 17, 1997